

**Presidential Election Briefing on Health Care  
Nashville Health Care Council  
October 7, 2008**

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**CAROLINE YOUNG:** Good morning. I'm Caroline Young, President of the Nashville Health Care Council and I would like to welcome you here this morning. Thank you for taking the time to be with us on such an exciting day for Nashville.

I'd like to begin the program by recognizing our sponsors. They are AON, Boulton, Cummings, Connors, and Berry, the Federation of American Hospitals, and Integrated Medical Systems. Thank you for your help in making this day a reality [applause].

Now with that, I'm going to hand the podium over to Tom Cigarran, who is Chairman of Healthways and Chairman of the Nashville Health Care Council [applause].

**TOM CIGARRAN:** Well good morning and thank you all for being here at this sold out event. This distinguished group of speakers certainly deserves no less from Nashville. Before we get started, I'd like to introduce a couple of special friends who are with us this morning. First, Congressman Jim Cooper, Jim [applause], Former Governor of Tennessee Ned Ray McWherter, Governor [applause].

Well in the midst of a lot of rhetoric about health care and health care reform more of which I'm sure we'll hear tonight at the debate, we thought it would be really worthwhile and interesting to hear from this distinguished group of experts who are here on the podium about what is the art of the

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possible, what is likely really to happen as a result of all these campaign promises that we're hearing.

So to moderate this panel and we have about an hour and a half, just short of an hour and a half to talk about these things. Senator Bill Frist, as all of us Tennesseans know, he's represented Tennessee and the state in the U.S. Senate from 1995 to 2007, was the majority leader from 2002 until 2007.

He is currently a partner and Chairman of the Executive Board at Kresse and Company, a private equity firm, and he's the Frederick H. Schultz Visiting Professor of International Economic Policy, a lot to get on a business card, at Princeton's Woodrow Wilson's School of Public and International Affairs, consistently recognized among the most influential leaders in American health care, the founding director of the Vanderbilt Multiorgan Transplant Center and he performed more than 150 heart and lung transplants, authored five books, written more than 100 peer-reviewed articles, an overachiever [laughter].

So with that, Senator Frist, thank you for agreeing to moderate this panel and we look forward to your remarks.

**FORMER SEN. BILL FRIST, M.D. (R-TENN):** Thank you Tom [applause]. Thank you [applause]. Tom, thank you and welcome everybody. It's an exciting day for Nashville, Tennessee and I can't think of a better way to get things kicked off than for me to have the opportunity to welcome this distinguished panel

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and thank goodness, it's my former town of Washington, D.C. [laughter] but everybody up here is from Washington and very close friends and colleagues that we've worked altogether in different shapes and forms over the last 14 years.

No issue debated during this presidential election will rival the impact on the people in this room than the issue that we're going to be talking about today, health care reform, what's really possible, what's going to happen, predict, prognosticate, look into a crystal ball, always ready to eat crushed glass [laughter].

We're honored today to have literally some of the most highly respected experts and policymakers, thought leaders, prognosticators in the country. I'll briefly introduce them. I think all of you have their bios, extend bios, but just to give you a little bit of a feel.

First we have Chris Jennings to my immediate left. Chris was the President of Jennings Policy Strategies, health care policy, and advocacy consulting firm in Washington, D.C. Prior to launching JPS, Chris was the Senior Health Care Advisor to President Bill Clinton, the Congressional Liaison for First Lady Hillary Clinton, and a Senior Advisor at the Health Care Financing Administration.

Next to Chris is a friend to many of us, most of us here in the room know Chip Kahn very well, President of the Federation of American Hospitals. Chip's distinguished career

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includes serving as Staff Director for the House Ways and Means Health Subcommittee and acting as a health policy advisor to Senators David Durenberger and Dan Quayle.

Also joining us is a familiar face to everybody in the room, if you were watching TV at six o'clock this morning, he is there. He was there at 11 o'clock. I went to bed after an event last night with Governor McWherter and Jim Cooper and so many of us last night. I went to bed watching him, so welcome and thank you for being with us Dick Morris. Dick-

**DICK MORRIS:** - To wake you up in the morning.

**FORMER SEN. BILL FRIST, M.D. (R-TENN):** That's right. I had a nightmare last night but that's okay [laughter], a former Clinton administration advisor is now a Fox News commentator and a consultant to Integrated Medical Strategies, Dick played an instrumental role, as everyone in this room knows, in five successful Arkansas gubernatorial campaigns by President Clinton including that comeback victory in 1982.

In total, again at dinner last night as I was talking to, Don Sundquist was there. Everybody knows Dick Morris has been in politics. Dick has managed more than 30 winning campaigns for Senators and Governors including my former colleague, Trent Lott of Mississippi, Governors Bill Weld of Massachusetts, Pete Wilson of California, the list goes on.

**DICK MORRIS:** And Don.

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**FORMER SEN. BILL FRIST, M.D. (R-TENN):** And Don Sundquist, that's right. We were sitting together last night and he told me about a very early race between you two, you've been at it a long time.

John Podesta, we were just in Africa together actually about what two months ago on a wonderful journey. We won't be talking about that today but again a close friend who is President and CEO of a think tank in Washington, a prominent think tank in Washington, The Center for American Progress. John has also held a number of important impressive positions throughout federal government including Former Chief of Staff to President Clinton, counselor to Former United State majority leader Tom Daschle.

So thank all of you for being here again. There are more extended bios in your program. We got a lot to cover. We're taking health care on and the issues of quality, the issues of cost, the huge gaps that are out there today. We all know the history but it is interesting how close we sometimes get but we're always stopped.

We had social security created in 1930 but it was three decades before we saw what people were talking at the time and that is real reform in our Medicare and Medicaid programs in the 1960s. Harry Truman talked a lot about a single payer system and you can't come to a group although I bet you don't talk too much about that today but you really can't go to a

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health reform policy discussion group without talking about single payers. Yet we aren't near that. Should we be? Should we not? I don't know. The discussion just goes on and on.

The last three Presidents to tackle major comprehensive health care reform, President Nixon, Carter, and Clinton, all found themselves but we at least need to touch upon today and which I saw again and again and that is gridlock in Washington, D.C.

Five years have passed since the last major health care reform in Washington, a bill that to be honest with you, as soon as I became majority leader, being a doctor, being from Nashville, my first act was to reach down and pull out the Medicare Modernization Act of 2003 and that was the last substantive discussion that we had in Washington that has resulted in legislation concerning health care.

Our task today is to take health care and look at it through the eyes of the presidential campaigns. We'll talk a little bit about the plans but I don't want the discussion to be, talking to my panel here, so much about the specifics of the plans although we need to share what the fundamental points are but really about the reality, the possibility, what will happen, what will impact everybody in this room today.

I'm going to start again just to get the dialogue so I know everybody up here, you'll get a feel, a little bit about

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the past and a little bit about the perspective of each of our panelists. Then we'll jump right in with questions.

John, let me start with you and you talk a little bit about your own experience as sort of where we are and then let's just go straight down the line. John Podesta.

**JOHN PODESTA:** Thanks Bill. It's great to be in the football capital of the world so [laughter] [applause]. Look I think all of us could spend 20 minutes talking about what the health care problem is in the country with growing uninsured again in our country, health care premiums rising three times faster than wages. People feeling the squeeze of low wage growth and high premium growth, small businesses being able to cover their employees and large businesses particularly those exposed to the global competition, really having a difficult time trying to manage their businesses in light of health care costs.

We're not getting, if you think of public health outcomes, we're 31<sup>st</sup> in the world in life expectancy, 28<sup>th</sup> in infant mortality. So we're spending a lot. We're not getting enough for it. I think that, as I reflect back on just the last four or five years, it seems to me there has been a seat change in the politics of this issue.

In the last presidential campaign, the big idea was could we expand children's health insurance coverage by three million that was Senator Kerry's proposal. I think President

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Bush never made health care reform really a big priority in his presidency or in that campaign.

This time around, I think as a result of a lot of pressure from the business community, from think tanks like ours, the work that everybody in this room does, I think health care is a more front and center issue. You might not know that from watching the campaign, particularly because of the financial crisis right now but I think health care, the idea of expanded health care coverage was certainly a primary issue in the democratic primaries.

It's an issue that Senator McCain has very different ideas about but he's come forward with a plan and I would say that tonight during the debate, I'm really glad that this is going to be a town hall meeting because I think if we were stuck back into a moderated discussion with mainstream reporter, broadcast reporter, you'd probably never get to health care.

Yet, I will predict that when you ask average people to stand up and ask questions of the candidates, you're going to see at least one and maybe more than one question about what their plans are to deal with these real problems that plague the country.

As I said, they have very different approaches. I think we'll get into that in our discussion as we should but at least Senator Obama tried to bring that back with his advertising.

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We've gotten a little bit distracted on Charles Keating and some 1960s radical but hopefully tonight the debate here in Nashville with a town hall format will bring this back to a front and center concern.

**FORMER SEN. BILL FRIST, M.D. (R-TENN):** Thank you Jon. I think everybody knows that unlike the past ones, the questions are coming from the audience tonight. Well I'm part of the audience and they excluded 150 of us but— [laughter]

**JOHN PODESTA:** Well I hate to rain on the party but the next president of the United States will have a job most analogous to a trustee in bankruptcy and we'll have about as much flexibility as the average trustee in bankruptcy has because the money for health care reform went out the door last week. It's now happily percolating its way through the global economy. When it's digested that and burped, there will then be other bailouts necessary probably for the credit card squeeze, the auto loan squeeze, and then you'll have to double back to the good mortgages that are now bad because people lost their jobs.

We're in for three or four years at least of a tremendous global recession depression and the President of the United States will be almost powerless to deal with any fundamental reform over the next four years because of the requisites of that situation.

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Now the irony of this is that the political will will be there. The Democrats will probably win the election for President; they will probably get 57 to 60 members of the Senate enough so there is no practical filibuster possible; they'll gain 20 or 30 House seats. It'll be an absolute massacre as things stand now. I think McCain can come back a little bit but I think that this election is moving in that direction.

So you will have the political will for it but you will not have the financial wherewithal for it. I think that the push and pull between those will dominate the administration. Speaking as somebody who recently, as you know, has become more Republican than Democrat, the best outcome for the Republican Party is for the Democrats to take over for the next four years [laughter].

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Thank you [laughter]. We'll stick with this election but 2012 we should ask you about [laughter]. The \$4.1 trillion will be spent over the next ten years on Medicare and Medicaid at least already obligated in law, \$700 billion we just spent a billion, trillion dollars in the last two weeks. So you start looking at the numbers. You say that we've already obligated \$4.1 trillion, how much more is there? We'll see. Alright, I need some optimism [laughter]. Chris?

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**CHRIS JENNINGS:** That's my role. John wanted to go first so he could use that football line. I wanted that [laughter]—

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** It applies to even high school, the Titans and Vanderbilt and even down to high school. So we better stop talking football, we really will end up talking.

**CHRIS JENNINGS:** Well I must say that at first blush, anyone that looks at this debate, you might conclude that meaningful health reform debate is off the table. Obviously you look at the economic situation. You look at the budget situation. You look at the polarization of the Congress. You look at the philosophical divides. You can go on and on and on with all the reasons why health care reform can't get done. Frankly in Washington, there are a lot of paid people who are self-fulfilling prophets of gridlock but in Washington sometime, surprise, surprise sometimes the people are wrong.

I'm going to give you six quick, quick reasons as to why I think when it comes to health care, there is a very real viability that we could see some meaningful discussion of health care reform.

First is frequently we have major discussions of change in this country when we have crisis. There's no greater crisis than as currently before. Social security came out of a depression era for goodness sakes. So one can't really predict where we're going into the future but we know something that's

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called fundamental changes likely to occur. Actually I think that there's a reason to believe that bigger, in terms of health care reform, may be easier than incremental, smaller. Washington is set up to kill small things. When you talk about bigger discussions, more policies are on the table, more levers to pull, and more interest in engagement.

Secondly, the business community, both large and small in bigger ways than I've ever seen before, are begging for us to really have a significant reform debate largely because they don't think they can compete both domestically and internationally without reform.

Thirdly and this is something John will remember, last time we had this debate going in and let's just say Obama is coming in, we had a real debate between the economic team and the health care team as to whether we should engage in a real health care debate. The economic team are now first and foremost saying we have to have a health care debate to deal with our long-term economic needs. When you have that sort of coalition of advisors advising the incoming President, I think that's very, an optimistic scenario too.

Fourthly, if you look at what's happening in Washington in the health care debate, it's all around this issue of quality and value. People believe that we are not getting what we should for our investment. I think everyone in this room would agree with that. CBO Director Orszag goes around the

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country talking about a third of our expenditures are for care that do not improve outcomes or not secure better outcomes. What's a third of \$2.1 trillion? Seven hundred billion dollars, just what we just spent on this bailout. We can do a year what we spend on health care.

Two more other points, one is that there's a greater understanding that the uninsured population contributes to the inefficiency of our health care system. If you have people going in and out, you can't do prevention. You can't do chronic care management well. If you have people in and out, you have insurers having to spend money underwriting to avoid those sick populations. For all these reasons, there is not just a moral calling but an actual economic and policy calling to do this.

Lastly, I'm going to stop with the people in this room, the people who know health care the most in this country, which I would suggest are people in this room, know that it's time for a change. Not only do they know that, they want to and they are engaging so much so that we're seeing hospitals, we're seeing physicians, we're seeing health plans, we're seeing drug companies, we're seeing business, labor all begging to come together to have a real engagement on health care reform.

They all say that we understand that the second best option is no longer to do nothing. For all those reasons, I think there's a real possibility for a significant engagement in health reform.

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**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Chip?

**CHIP KAHN:** Well thank you. I've got five points to make, which I'll go over in a minute but I just want to respond. I'm a Republican and the trouble with not holding a high ground and I don't disagree with your prognostication about the Election Day, is that on the one hand, you could say well the other guys will have all the trouble.

On the other hand, FDR was in there for a long time, Republicans were out and I did have the privilege of serving the Republicans in the new Congress in 1995 but it was 40 years between 1953 and 1995. So you could stay out in the cold an awfully long time if you lose the election.

I'd like to make five points this morning to sort of close out the first part of this session. First, from my view, new presidents only get so many wishes. They only get so many initial priorities that they can push and it really depends as much as Dick points out on what's happening on events and on the American mindset at that time. So at least right now, I don't think 2009 is right for an overhaul of American health care.

In the current election too, I do see discussion of health but on the other hand, I view it as a defining issue right now, not a pivotal issue. I mean it's one of those issues that the candidates are going to use in the next few days to

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pummel each other and define each other but the election doesn't hinge on health care not at least at this point.

All that being the case and short of major health care reform, I think Congress is primed for action next year and I've got three reasons why I say that. One, the child health insurance program needs to be reauthorized. It cycles out in March and clearly Democrats in Congress want to do something about that. If Obama gets elected, it's part of his menu of proposals. So that will get done.

Second, I think there's just this pent up demand in a likely large majority Democratic Congress to act on health care. Finally, we face gargantuan deficits and this deteriorating economic crisis, which I think will lead to action on the budget and health care spending generally. So on the one hand, we could say Medicare is vulnerable to a big budget bill next year. on the other hand, that offers opportunity for legislation regarding Medicare that can be positive on self-referral, issues like that.

So I see action next year but I don't see an overhaul. All that being said, from my point of view, we really need universal coverage. We need it, I think, from a policy standpoint, because we need something like that to propel the imagination of the public and policymakers. Without getting all Americans into the health care tent with at least a relatively

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level playing field, I don't think we can deal rationally with the issues of cost and quality.

You've got to have everyone relatively equal to then do some of the hard things because in some ways, coverage, the cost is the problem but coverage is the easy part but on the other hand, everybody's got to feel like they're getting a part of the pie I think to then meet some of the hard issues on cost containment.

Then I'll end on this note, I'm going to paraphrase Victor Fukes who's the Dean Emeritus of American Health Care Economists and Victor Fukes and I actually heard him say this, he said it many times that the conditions for the enactment for national health insurance in this country will only occur if America is at war, suffering a major social unrest, or in depression. So I hope we don't have a depression but at least from Victor Fukes, we're sort of-

**JOHN PODESTA:** As Meatloaf once said, two out of three ain't bad.

**CHIP KAHN:** Right. We're sort of heading to the [laughter] conditions that would lead to something. I'll end on that note.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Thank you. So over here I'm hearing the fact and we'll come back to the economy. I don't want to jump right into it but this may give us an opportunity that even four weeks ago or six weeks ago, it

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may not foreseen, if you're looking at comprehensive reform and not just incremental reform.

Let me start and I hope everybody in the room asks themselves this and in classes, I always ask my students this before I first lecture in a course, is if you sit back, what is your ethical bias given our status in the world economy although I'm not sure it's quite there now. Do you view, as an individual, health care more of a consumer good or a social good? People use it in debates go back and forth, but I want each of you just to, again, we won't spend much time on it, but answer it for the candidates and then maybe yourself.

It, in large part, explains because the world's kind of equally divided or America is or Tennessee is in the answer to this. The two camps are and that's why I think there's a lot of gridlock there without leadership. Is it a consumer good, a private consumer good, whose financing is primarily, primarily not entirely the responsibility of its recipients or is it a social good that should be available and roughly equal terms to all who need it and financed by members of society on the basis of their ability to pay.

Let me start and I want all of you to say something but I'll let any of you jump in. John, do you want to start?

**JOHN PODESTA:** Well I think the world has answered that question that it's a social good. Only in the United States have we had this debate that roughly divide, I agree with you

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Bill that we roughly are divided between whether it's a consumer good or a social good. I think, to some extent, the way our system's set up, it's a little bit of both. We need the application of sound economics on the consumer side to get the right kind of health care system but ultimately it's shameful that we have so many, particularly kids out of the system who aren't getting the kind of health care services that they need to succeed in life.

I think that, as a society if you think about it from the economic perspective of the nation as a whole in order to have a workforce that's productive, that's kind of in the game, that's producing the kind of goods and services we expect, you need the social application of sound and solid health care.

From a moral side, I think it's, we have an obligation to each other to try to provide the sort of opportunity that this country has been built on to kind of help people succeed in life, they have to start with particularly, as I said, young people have to start healthy lives that are the general basis to let them succeed and expand opportunities. So I guess I think it's a little bit of both but I lean towards the social.

**DICK MORRIS:** Well it's easy to answer how the candidates see it. Neither a social good nor a consumer good but a constituent service [laughter]. I think that they clearly see it as something that they need to deliver to their constituency but you come to the fundamental issue here. I work

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hard. I travel to Nashville and I give speeches and wake up in the middle of the night to do television so that I can make money. I do that so that I can give my family security. The most fundamental security I can give my family is guaranteed access to the top quality health care in the world.

I don't want to have to wait on line based on need or based on availability or based on some bureaucrat's conception as to who needs what. I want my wife to come first. I think that that's obviously the most fundamental of all capitalist motivations.

So I think that whereas we would all agree that there is a social need and we would all recoil at the idea, the almost Cro-Magnon idea that people would be given health care based only on their wealth and that therefore poor people would die faster and sooner and younger and lead worst lives. That's something we've left way behind but on the other hand, when you deal with each individual person, there is not going to be a tolerance to waiting on line simply because of the rationing of health care in the system.

My worry is that without real cost containment of the service delivery level, you are headed inevitably toward rationing not even so much because of the limitations on government money. That's part of it but that's not the most important. There are only so many doctors to go around and so many nurses to go around.

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Now you could always build new hospitals and new clinics and buy new MRI machines and all of that but you can't just churn out new doctors and new nurses without fundamentally changing the system. The old direction the system is moving in is cost containment, paying less money, hold down their wage increases, cap doctors' fees. Well that's going to have the exact opposite effect.

I think, in Washington, there's a political will to expand the pool of people who get service and you saw that in the mental health parity, expand the service and they might or might not expand the money. That's going to be hard. Probably if they do, it's deficit spending but they sure as hell aren't going to expand the supply.

In fact, they'll probably constrict the supply. When the supply is constricted and the demand explodes, you're talking about health care rationing. When you look at the idea of, what is it Chip, a quarter of the Medicare spending is in the last year of a patient's life? You're talking about a duty to die approach like Dick Lamm once wrote it out in a moment of honesty for which he paid for his life [laughter] and he had a duty to die after he said that [laughter] but the point is that and if you think that people in America chafe at the idea of paying a lot of taxes or chafe at the idea of dealing with an IRS and want government reform, wait until they start being told no.

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Not you need a second opinion, not let's go to another hospital, not oh well I'll pay for this myself, no just no, you may not have this bypass surgery because there's a 22-year old illegal immigrant with a heart condition who has his life ahead of him and you're a 78-year old smoking diabetic with high blood pressure. I don't care that you served in Iwo Jima. You're not getting it [laughter].

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** From a Washington standpoint, a lot of health care reform is driven by people either real strong leaders or constituents of people. Eighty-percent of people like their health care today. That's not a real push for a political leader to go out and change it. So it's going to take leadership but only 40-percent of people like the system. It comes back to the system itself, which gives us an opportunity there. Social good, consumer good, yourself or candidates?

**CHRIS JENNINGS:** Well, it's so hard to listen to Dick and not want to go point by point [laughter].

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** You got six in pretty quickly before so go again.

**CHRIS JENNINGS:** You know, what I really lament truly though is this sort of immigrants against the world, rationing, this is the United States. We're not going to have England. We're not going to have another country. We're going to have an American health care system. It's not going to be a single

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payer. It's not going to be a government-run system. It's going to be a private/public system. We all know it's not going to be only tax credits. It's not going to be just public programs. It can be all these things. It's not going to be just about governments taking control or individuals being responsible. It has to be both. Individuals have to be responsible for their own care.

We have to do a far better job but the idea that we just throw people into this ocean of unregulated insurance systems or inadequate funding or a system that doesn't work because it's so costly and inaccessible is equally unacceptable.

So the rhetoric of both sides, the far left and the far right, actually isn't where the debate is or should be but part of that is your responsibility to make sure that's the case. We can't address access or cost without addressing coverage. We cannot do prevention well. We cannot do chronic care management well.

We can't eliminate cost shifting. We can't have hospitals having all this bad debt because people who are uninsured come into the system they can't afford it or immigrants coming into the system and shifting costs back to the populations or high deductible plans solely encouraging and ensuring bad debt for hospitals because people can't afford the deductibles but we similarly can't have a system where we have

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first dollar coverage for everything. We're just not going to have it. We can't afford it.

We're going to have a system, if we're smart, that's clinically-based, that if we're smart, has cost sharing for things that we don't think work, and things that we want people to use like prevention has low or no cost sharing. We all know this. I mean everyone in this room knows this.

So I beg you all to avoid the rhetoric of the left and the right and focus on getting something done because goodness knows, we will not be able to only have a sound health care system if we don't do it, we won't be able to have a sound economy.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** We will hear tonight what we've heard through the primary. The first words out of a Republican's mouth is going to be cost, going back to the quick corollary costs that's the uninsured and coverage. The first word out of the Democrat's mouth is going to be coverage. You saw it throughout and that's what the polling Kaiser who does a wonderful job polling every two months on all of this has just shown it clearly and clearly.

That's not where reality is and we know it but that's what we're going to probably hear again tonight, although we just heard from Chip. The first words out of his mouth, he didn't use the word universal but was, in essence, 100-percent

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affordable coverage but go back to the social sort of social versus consumer-oriented combination.

**CHIP KAHN:** I'm going to be parochial here and say we do have national health insurance in this country and it's every American hospital and whether it's the right kind of care at the right time, we can debate but at least in terms of a baseline, at the end of the day, everybody looks the other way but if people really need something, there's the hospital.

I think it's unsustainable and that's where I think Chris' points are really well taken that regardless of the moral question, regardless of the social question, at some point it is unsustainable to depend on these four or 5,000 institutions to basically be the sort of receptacle of all the problems as well as a great deal of the revenues people that are covered.

So we need to get everybody covered otherwise we're never going to be able to rationalize the system in a way. Now at the same time, there's got to be a balance because I think Chris makes a good point. Government and the taxpayer can't do everything and we really do need individual responsibility. That's not an easy balance in the United States.

I mean the whole crisis we're in now on the economic front shows a tremendous lack of individual responsibility whether it was the bankers, whether it was the people on Wall Street, whether it was Sallie Mae or whether it was the

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individuals who borrowed all that money when if they had been rational and looked at it, they knew they couldn't pay it back. I mean everybody looked the other way and look what happened?

Well in the health care system right now, everybody's looking the other way and leaving it to the hospitals. I think that is untenable and unsustainable, maybe not this year, maybe not next year but at some point, it's got to be dealt with just because we can't run the system the way we're running it now I would argue in perpetuity.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Let's turn to the plans. The problem with only having an hour and 15 minutes, I don't want to get into the details of the plans. We've already heard from Chris who I think is right, the details of the plans and from Dick, are not going to be what happens, but I think it is important to at least run through it and comment on that in terms of a critique of the candidates proposals. B but we'll get into it a little bit tonight. Have they correctly defined sort of areas and means of reform and how would each proposal affect the American people or the people in this room, the industry itself?

Let's spend about ten minutes on that, the plans themselves so we don't have to get into the details. Hyperbole, again going to the Kaiser web site because it's the one out there that I think is probably the easiest most objective.

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You go to it, it's got everything in health care on it would basically say McCain essentially four points and Obama four points, and I'm putting them out there now so we don't have to keep rehashing and a little bit exaggerated in the way they're written, but McCain, no mandates, Obama, employer mandate, and a children's mandate.

McCain, eliminate tax deductibility of employer-sponsored insurance; Obama, regulate private insurance with guaranteed coverage and rate McCain, provide tax credits to buy own insurance for \$2,500 and \$5,000 for a family; Obama, create a new public health care plan, something possibly like Medicare, and McCain, state grants for those rejected in the open market kind of puts emphasis back on the states. It doesn't describe it in very much detail and then Obama, clear-cut expansion of Medicaid and SCHIP looking at the uninsured.

Over this, both exaggeration but I want to put it out there. We don't have to go through all the points but just to set the background and really to get it out of the way of what the candidates are likely to say but let's talk a little bit about those plans' impact on people in the room here. Chip?

**CHIP KAHN:** I see the dilemma with the Obama plan is that it doesn't reach universality. None of the estimates say it does and if you look at the Lewin estimate that'll come out in the next few days, which I think is sort of the gold standard, maybe it covers 27 or 30 million people, it really is

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tremendously intrusive, both on employers and if you remember back to the late '80s, early '90s, there was a controversy over nondiscrimination rules put in regarding health care benefits and once you get into trying to define employer role in health care and health care benefits, you get into an abyss.

So he spends a lot of energy getting us into that and then also getting all employers to be covered by some kind of government reinsurance, which will have all kinds of rules and yet, he doesn't even get to the goal of covering everybody. That's why I look at his plan as sort of a bunch of ideas but I'm not sure where he's going with it because it's not as good as Hillary's plan frankly. She got there but then she didn't win.

On the McCain side, I guess my heart wants to be positive but I think he plays with tax policy in a way that's just very uncertain and yes, he's talking about cost and Obama's talking about universality but I'm not convinced either get there with what they have on the plate. I wish in both cases that they had done more analysis.

John Shiels at Lewin & Associates, who's doing this major estimate, he said that when he wrote up the Obama plan, all he had to do was go back to the Kerry stuff and basically that's what Obama's for is what Kerry was for and I don't think Kerry did a very good job.

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On the other side, I think that this tax area is worth looking at. Yes, we don't need an open-ended exclusion as we have now but I think trying to shift everything away from employers is asking for trouble.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Yes, if we have a, I don't know what it is, 160 million people in employer-sponsored plans, what would the McCain plan do? Basically we know what it'll do. It'll take away the deduction if you're an employer out there with a margin of two-percent-

**CHIP KAHN:** It's debatable because he would argue well some employers will keep providing the coverage because people can get cheaper coverage in their employment than they could outside but then he's casting a lot of people into an individual market that would be relatively unregulated.

So I think it's a great idea to provide everybody refundable tax credit but I just don't think it answers the questions at the end of the day.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Alright guys.

**DICK MORRIS:** I think that fundamental tripwire here is the concept that mandates. You kind of imagine you're in a prison yard, what are you in here for? I'm in here for armed robbery. Well I'm doing two to five because I didn't offer health care to my employees [laughter].

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** I'll come back - go ahead, what are you going to say?

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**CHRIS JENNINGS:** Listen, I just, I mean I think here's the reality that in America, when you say everyone should be individually responsible, they say that makes sense. When they say that employers should provide a decent benefit to their workers, there should be shared responsibility between employers and employees, everyone sort of agrees. They even say individuals should be required to purchase and employers should be required to but you use the word mandate or jail sentences or anything like that, people flip out understandably so but here's the reality.

Everyone knows this in the health care policy world. You can't get everyone in the system without some sort of requirement. Everyone knows this. So we can talk about, we talk about now I did with others, Senator Hillary Clinton's plan, so thank you for the compliment [laughter] but let's step back a little bit.

Senator McCain's policy, you talk about radical, you talk about radical, you talking about eliminating the tax exclusion for health care. You asked what employers will do if you're on the edge of providing or not providing, you're not going to provide. People are going to go into a tax, they're going to get to say oh I get my tax credit, which is not adequate to purchase a health care benefit and then unregulated health care delivery system. At the state level, you can go in

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every state you want to go to, any state you want to go to, whatever benefit.

Now let me tell you, insurers will insure the healthy people but if you have a pre-existing condition, you wouldn't get health care. You couldn't afford health care. John McCain couldn't afford his own health care system because his insurer wouldn't-

**CHIP KAHN:** He has a risk pool though. You got to be fair.

**CHRIS JENNINGS:** You mean because he's old enough to have Medicare?

**CHIP KAHN:** No because he has a risk pool in his plan [laughter].

**CHRIS JENNINGS:** Yes. Yes he has an unfunded risk pool in his plan and here's the last thing. Just today, we learned yesterday we learned the Wall Street Journal, oh I didn't mean I was going to tax exclusion for all things, just for income tax not for payroll. So I'm going to have \$1.3 trillion that I'm going to have to cut from Medicare and Medicaid to pay for my plan. Well hospitals of the world unite because you want to see pain, you're going to see pain in Medicare and Medicaid cuts.

**CHIP KAHN:** Well he was unspecific in the Medicaid cuts.

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**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Well let's keep moving. Let me go, Dick I cut you off or John, jump in, I'll come back to you.

**JOHN PODESTA:** Yes. I think that just to pick up on Chris' last point, I think there are two things wrong really with McCain's health care approach. I agree with Chris that it's extremely radical. One is that by going to a model in which you can sell insurance across state lines without any floor, without any benefit floor, you're essentially wiping out state regulation of insurance plans.

What you're going to see happen, I think, in the health insurance world is what happened in the credit card world, which is that the basic rights are going to go to the state with the least regulation. That's going to be sold across the country. The net result of that is what Chris observed, which is people with pre-existing conditions are going to be out of luck because they're basically in plans today because there is a floor.

I think if you look at the bipartisan plans that are now gaining momentum in Congress, I see Jim Cooper here who's really worked very hard to get momentum going again in the Congress.

One of their features is that they at least provide a basic floor of what benefits would occur even if, as you move to a different system of health insurance and McCain really

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scraps that in favor of this so-called consumer-driven model. The other thing is that an it's the reason Chris mentioned this piece in The Wall Street Journal, the reason I think that this is really become a problem for McCain is that what he's ended up doing is providing a \$5,000 refundable tax credit, refundable in his favor, but it is adjusted by the rate of consumer price index, consumer inflation as opposed to health, the cost of health care going up, which is higher.

Ultimately this is going to cause people in the middle of the income system to actually incur a tax increase. I think one of the reasons that they backed off taking the exclusion away from the payroll tax is that tax increase could be as much as \$1,000 by 2013 on people in the middle of the income spectrum.

So I think he was worried about getting accused as I think the Obama campaign has rightly accused him of saying that he's going to actually raise taxes on people in the middle of the income spectrum. Therefore, he said well I will solve that problem by not applying the exclusion on payroll tax but that leaves about \$1.3 trillion hole. How does he fill it? Cut Medicare.

So I mean I think his plan doesn't add up. I think it would end up leaving the sickest and most vulnerable people, people with pre-existing conditions, out in the cold. Ultimately, I think it'll be interesting to see whether they

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get into the details tonight because I think he'll have a very hard, his economic advisors and health care advisors have a hard time explaining it. I suspect that Senator McCain will have a really hard time explaining what he's actually put forward.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Dick?

**DICK MORRIS:** I think that we're underestimating the impact of mandates as a political issue. Just as you have a tripwire in terms of tax increases, you also have one in terms of mandates. I think that that may be a factor in the election depending on how skillful McCain is at raising it in tonight's debate but if it isn't and if Obama wins and if he proceeds to implement his plan, the abrasions caused by those mandates are going to be the key issue in the elections of 2010 and 2012. You've got one of those situations like with Rostenkowski where he passes a tax increase and then he goes home and gets hounded by his constituency and has to go back and repeal it.

The American people are not going to take kindly to that mandate. They're going to resent it and it's going to become a huge thing. I just want to focus on the other half of the issue though. All of this discussion is on funding incremental care and providing incremental funding.

I know that it's fashionable now in health care circles to talk about cost reduction only in terms of things like leading a better life and not smoking and watching your weight

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and exercising and dealing with prevention of chronic conditions. But I think a huge portion of what the practical thing that you all are going to have to do when you are confronted with a government that is going to dump a whole lot new patients on you without a whole lot of new money to pay for them, and without a whole lot of new supply to pay for them is that you're going to have to really be good at, even better than you are now, at cost containment and at cost reduction based on upgrading efficiencies within your hospital itself.

Here I'm a little bit singing for my supper because I'm here sponsored by IMS, I mix it up with INS [laughter] and what they do in terms of increasing utilization of the OR by 15, 20-percent by scrubbing it and working on the system.

Those kinds of changes where you actually lubricate the system and make it flow better where you really go back to a kind of management and budget approach to health care facilities is just going to become absolutely crucial because you're about to have the politicians in Washington dump a whole lot of more responsibility on you without the funding for it.

If you think you're having trouble now with people that walk in, wait until you see the stuff that they're entitling people to get and the need for a fundamental restructuring of your services to increase their efficiency and deliver the same thing for less, I think is going to be the dominant focus over the next four years.

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**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Chip?

**CHIP KAHN:** I think we do, this mandate issue that Dick brings up is really a critical one. I think ultimately there does have to be some kind of requirements if we're going to have universal coverage but I think we do mandates on employers at our peril. I already referred to section 89. We can talk about other kinds of policies that fail where there was an attempt to-

**DICK MORRIS:** Employers is bad, parents is worst.

**CHIP KAHN:** Well that's true but the problem we're going to have next year with no money, at least in the federal coffers is that policymakers are going to say well gee, can't we get so and so to do it without having it on our ledger and I think the proposal in this campaign of employer mandates sort of slides into next year if there's a big Democratic victory an Obama victory because it's going to be easy to say we're going to put this on somebody else's ledger but a mandate is a tax.

I think in the case of individuals, as in the Clinton plan, maybe there is a tax there too but then you're going to be subsidizing individuals and getting those who can't afford it who don't have disposable income covered.

I think with employers though in this economy, we want a voluntary system. We don't want to force them into something because I think that will either blow up the political process

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or it will lead to an outcome we don't like and it'll have to be overturned.

It really is interesting. Medicare catastrophic that passed in '88 was repealed in '89 because the old geezers got on Rostenkowski's card and made a lot of trouble and people thought that was really a great thing at the time it passed but once the American people looked at it, they said we don't really like this. We can't afford to go through health care reform that Americans aren't going to like after it passes.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** What was interesting about the '88 Rostenkowski event, everybody has that picture outside Chicago, he came out of a town meeting and the picture of the older, senior person-

**DICK MORRIS:** Let's not forget, he went to jail a few years later.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Oh that's right [laughter] but also what happened a few years later in 1991, the Wofford race, and then we came at them with Clinton. So again over a four-year horizon, we've got to remember that certain things happened at certain points in times. It precipitated other things because that was in '88, '91, '92, and '93. Chris?

**CHRIS JENNINGS:** Senator, I just wanted, a couple more clean up points. First is that if I'm a hospital today and I'm worried about suddenly people coming in that are actually

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paying. That's a good thing. I already have a lot of people coming who aren't paying. That's a huge problem. Everyone in this room who has a hospital, who has uncompensated care burdens well recognizes that.

Secondly, on the requirement or the mandate or individual requirement, let's face facts here as Ronald Reagan said, 9-percent of the voting public has health insurance today, okay, 9-percent. They'll be for covering everyone because they're worried about losing it and they're also paying for those people who don't have it. The cost shifting is coming back to them in terms of higher premiums.

NPS, they can't regulate the insurance industry the way they need to have it, which is to say to require insurers to guarantee coverage without an individual requirement. That's just the reality. All of us can dance around this but that is the policy rally.

Now as for the business requirement or business responsibility or contributions or mandates, let's be clear about Obama. He recognizes that the growth in our economy has been and will be small business. So he does not require small businesses to pay into this. In fact, not only does he not require that, he has a tax credit to encourage them to provide it.

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Most larger employers are not just because they feel they have to but because they want to be able to recruit and retain a very, very good workforce.

So again let's put this all in context, I think people have learned from the problems of the Health Security Act, which did include an employer requirement even for small business at some point. I think you have to take that off the table as Senator Obama does.

**JOHN PODESTA:** I find myself oddly in agreement with Dick on one point [laughter] we did. I think the idea that the curve has to bend is really a starting point in this health care debate with respect to costs. We're spending 16-percent, maybe pushing closer to 17-percent of GDP on health care in the United States, the next highest OECD country's at about 11-percent and then falls off beyond there.

I think the question, I think, you kind of slid over wellness, disease management, and disease prevention. I think there are substantial savings that can happen there but the incentives in the current system are wrong. Chip talked about that earlier in the conversation when he suggested people coming in and out of the system is a prescription for bad management.

The basic, an insurance system designed for an acute care system doesn't really deliver the goods with respect to

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disease management and wellness and the production of wellness and the cost savings that can come from that.

So I think there'll be a lot emphasis on that. I think there is to some extent, I think to go back to Senator Clinton, her emphasis on, she just introduced the legislation on this, in fact, it was maybe a little bit stronger in her plan than in the Obama plan but I think you'll see a lot of attention paid to that but the other part is how do you get trusted information to try to decide and how do you reward and create the payment structures that are necessary to reward cost effective delivery of medical services.

I think if you look again, you look forward to what's likely to happen in the next Congress. I think there are particularly ideas, these are bipartisan ideas in the Congress. I think there's a gulf between where McCain and Obama are but not so much, I think, in the Congress.

There's some bipartisan, I think there's strong bipartisan to try to look at how you create a trusted system of information whether that's on a public/private basis or my colleagues, Tom Daschle, who's a former leader with Senator Frist, has proposed a health fed that would be an independent agency that could look at the delivery of service, try to find cost effective savings in the system and then begin to reward people for performance in the health care system.

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I think those are ideas that are likely to really move forward in the next Congress so that we can bend that curve and do what they probably rightly suggest, which is to try to do more with at least the same level of overall resources that are currently being put in the system.

**DICK MORRIS:** Let's remember that we spend \$2.1 trillion a year on health care in this country and about \$550 billion on education. I mean that's a mistake. We shouldn't do that.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Well just to relate that, picking up this whole behavior, how you incentivize it. The government's not going to do that. It's not going to be able to do it. We're all, me no longer, but you guys are still Washington but the people in the room here in the business and what I'm hearing a little bit is that the squeeze will come back to that, that we're going to see at the federal level, there will be an attempt to shift it as far down as you can or as far out of Washington as you can.

We'll go to the states or just as bad trouble so it'll be pushed out. The squeeze is there so it comes down to bending the cost curve, shifting administrative costs. We've got to get the things out, then also bending it. Who is going to be the best at bending the cost curve?

I think it really will be people who are in the business, the private sector, how government incents that but a smaller bucket of money to spend, a real push from Republicans

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and Democrats to get more people in the system out of equity issues, moral issues, the right thing to do to get better care. So it's going to be more value in the system and the frictionless system that increases value, we don't know how to do it very well but the people in this room ultimately know how to do it.

**JOHN PODESTA:** But we need that. To do that we need health IT. We need better information and we need to change payment structures to incentivize value-driven care.

**DICK MORRIS:** I want to just return to what I said at the very beginning of this. I am very pessimistic about, which is unusual for me, about the economic situation we face. I think that the subprime was just the beginning of a four-year process of basically detoxing ourselves from debt and from this overextension of credit.

The next domino to fall will probably be the credit card debt, the consumer debt, which now is double the percentage of GDP over the last 20 years and then after that, you're probably talking about auto loan debt. There are going to be a series of bailouts because the fed and treasury have made very clear that they are not going to let the Great Depression happen again. They are going to drown with money anybody that is, any major industry that is failing.

They'll do that, I think, that's a wise thing to do but it is going to make impossible any significant increase in

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spending on anything else over the next three or four years. Just be realistic. Health care reform walked out, the money for health care reform walked out the door last week. Those guys—

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Does everybody agree with that?

**DICK MORRIS:** Those guys today aren't going to say it but it's gone.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Alright, go ahead. Do you agree right now a trillion dollars, 700 plus the other bailouts, a trillion over the last three weeks. Medicare, Medicaid's going to be 4.1 just in the foreseeable future. That's just what we're already obligated.

We are going to see SCHIP expansion no matter who's there here in the next couple of years I predict with the Democratic, we're talking about President mainly but remember again, the Democratic majority's in the Senate and in the House are going to greatly increase.

So we're going to see some expansion there. I don't think it's going to be \$10 billion a year, but we're going to see that for sure. Then do you agree that we don't have any more money to spend on reform?

**CHRIS JENNINGS:** No and I'll tell you the reason why and this goes to Dick's point about we are spending \$2.1 trillion but if we change nothing, in ten years, we're spending \$4.1 trillion. We're going to be doubling. So and again, people in

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Washington and people outside of Washington get this. They view that as unsustainable. There will be huge pressures to cut and bend that curve line even in current programs.

My point is that the only way that you really are going to bend that curve is do what John just suggested, which is we are going to have to invest in IT. We are going to have to do some more quality work. We're going to have to do reimbursement incentives, yes through Medicare and other in order to change how we deliver health care in this country.

The outcome of that will be that health care will become more affordable and we will be able to do more things in terms of coverage and expansion. Again the reason why I think the coverage issue is so important is it maximizes our ability to be efficient in the delivery of health care. It's not an altruistic act. It's an economic one.

**CHIP KAHN:** Yes, I'd say one of the big problems though is having worked on the Hill, you really got to approach this humbly, which they won't and I was involved in VBA '97 and other acts that the development of the physician fee schedule early in, late in the 80s, early in the 90s and we thought we knew everything and we developed a lot of good policies. I heard about payment policy and RBRVS was supposed to solve the problem for primary care.

Well I think if you talk to any internist or family practitioner, all they know is that their Medicare rates were

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threatened to be cut every year for the last four or five years. So I think our problem is that I'm not sure we know how to do everything we need to do and government tends to act as in a meat cleaver fashion as it's doing a favor.

So I guess I'm with you. We need to do something but boy I'm really nervous about it.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Let me ask you, IT clearly transparency, accountability, the world everybody in here works in, markets, you've got to have transparency. You've got to know what you're buying. You've got to know the quality, know that's the problem with health care, third party payers and the like.

IT helps transparency, know what you're buying for the first time in 40 years. What is the government responsibility in IT? Barack says put \$10 billion in, I don't know what the details beyond that. McCain says I'm all for it. Hillary Clinton, I had a bill that we worked on and back with Chris and Dean and I and we got to do something. What should the federal government do for IT?

They set the railroad tracks back 130 years ago and they defined these standards but when I last talked to one of these health care groups, there were 6,000 vendors out there and not much is happening. We've talked. What should the federal government do?

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**CHIP KAHN:** I think we need to be careful with IT because to sort of quote Clinton, it's the workflow stupid. It's not the IT. The IT has all kinds of implications for how health care's delivered and actually if you look around the world, we say oh the world is so much better off than we are.

Well first, no country has real interoperability of IT. Second, we can go to Israel. We can go to the Scandinavian countries, some of them have pretty good systems inside the hospital although actually if you look at the data, we actually have more IT in hospitals than many of the foreign countries that are further developed than us. Second outside, these are basically replacing paper records with IT.

So I think we've got to do a lot of thinking about if you're going to spend \$10 billion, what you're going to spend it on because the savings from IT aren't from the IT, they're from the increased efficiency that ought to come from it, the better knowledge about patients, the different ways doctors and patients interact, the e-prescribing that avoids mistakes, and it's a lot more complicated than we've been talking about. It's not something that can just be done with a wand. So I'm all for the IT but it's something we've got to approach very carefully.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** I turn to Dick and then, a comment on IT and then we'll move on but it is so obvious in terms of markets—

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**DICK MORRIS:** Actually I'm going to not deal with IT as much as other areas.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Then hold on one second. Let's stay on IT one second and I promise I'll come to you. Anything on IT between the two of you?

**CHRIS JENNINGS:** I mean I believe it is a tool not an outcome. I agree totally but is it a necessary pre-condition in order to be able to maximize efficiency in this system and also I would argue to do the quality value discussion that we all say is an imperative part of the discussion rather than going back to the normal traditional way we did back in whenever the hell we did, '97, which was just market basket minus.

What we really want to do is what you've been advocating Senator for such a long time and Senator Mitchell and others. We've got to change how we deliver health care but we can't do it well without that IT infrastructure, which it includes an investment and which includes interoperability standards, which includes the involvement of investment of all the provider care. Again, I say it's a necessary pre-condition for the goals that we seek.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Not a cure-all though like I said?

**CHRIS JENNINGS:** No.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Okay. Is there anything else on IT then we'll move on to Dick.

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**JOHN PODESTA:** Well I think there's some legal impediments to the proper introduction of IT both on the antitrust side, on the Stark rule side that need to be cleaned up. I think that that's getting into the weeds but I think that's an important thing that Congress could pay some attention to so that we incentivize the real parties and interests to actually put the IT through the system and get the results that I think Chris was talking about but at a high level.

When you think about it, for an industry that is at the cutting edge of technology globally, the use of information technology to create efficiencies in the system is moved down to almost a unit by unit level.

If Wal-Mart did business that way, they'd be out of business. So I think the model is conceptual and that we've got to get the incentives right to power them through the system.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Alright, good. Alright, Dick.

**DICK MORRIS:** First, I just want to reinforce something that John said. The idea of interstate insurance and then that stripping state regulators of their ability to regulate is really something we need to focus on. The coming crisis of credit cards is entirely due to that.

In 1978, the Supreme Court ruled that when you have an interstate transaction between a borrower and a lender, the law

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that applies is the law governing the lender, which meant that all the credit card companies moved to South Dakota, which had no law at all and the result is that all usury limits in the other 49 states became worthless because they couldn't regulate it and it led to a totally, totally unregulated industry.

Feds don't regulate it because it's a state mandate and the states can't do it because the court won't let them. If you get into that with health insurance, it's going to be a horrific disaster including on parity mental health and all of the other issues.

The second thing I want to say is that I believe we have to pay a great deal of attention to drug companies and to that aspect of health care costs. It's ten-percent of the total health care bill. Twelve-percent of the total amount of money spent on drugs pays for 50-percent of the drugs, the generics. It's 88-percent that pays for the other 50-percent.

You need to require all state Medicaid plans to give preference to prescription drug benefits. When the states have tried to do that on their own like California, they've been defeated by pharma in the lobbying battle. It's crucial that that takes place. You need to change; you need to have much tougher anti-trust enforcement of the generic alternatives so that big drug companies can't gain the system to buy up their rights to generics so that other companies don't do it.

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You have to pass that legislation requiring disclosure of any doctor benefits paid to doctors by insurance companies. You need to have the sharp limitations and disclosure on doctors receiving benefits and goodies and Super Bowl tickets and bribes from drug company representatives. You need to eliminate or ban prescription drug advertising, a four to \$7 billion a year cost that is totally unnecessary in this system.

If you really take an aggressive approach to cost control of the roughly \$200 billion we're spending on prescription medication, there's a lot you could take out of that system. This is the point I was making with my buddies at IMS.

You've got to look at the internal workings of this system. I remember so vividly, John and Chris, when I met with Hillary in '93 and '94, when she was putting together her health care plan, my friend Harvey Siegelbaum is in the audience, he and I went down to see Hillary and that was when I was pretty close with her and we were talking about health care.

I walked in and initially, the health care reform taskforce that she headed was originally going to be a new Hoover Commission to try to scrub the system to reduce costs. It was introduced because Bill Clinton warned that we currently spend 12-percent of GDP on health care and he warned that unless we acted, we would end up spending 14-percent. Well now

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it's 16 going to 17. Instead of a Hoover Commission, it kind of became a Gore's thing with reinventing government. Hillary got health care but Bill always saw it as a subset of cost containment.

So I remember going into meeting with her in the White House with this whole long list of cost containments, requires second opinions, all of that stuff. Some of the stuff I just talked about drugs and it wasn't anywhere on her radar screen. What she was focusing on was universal care and expanding the system and the whole bit.

We need to return to the concept of better management of health care facilities with federal mandates to require that that happen because this fundamental lack of management is something that really has to be addressed in terms of management but also in terms of the drug industry and other elements of the system.

Another big part of it is nursing homes with the health care reform limiting med malpractice. You essentially take away from anyone in a nursing home the right to sue because they don't have any future earnings or anything and they can't sue for pain and suffering. That means you have an entire industry there that can promote barbaric conditions in nursing homes without any effect of federal, state, or litigatory legislation.

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These are the kinds of innards of the system that I think we need to start dealing with more seriously.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Let me have all of us look in the crystal ball and be ready to eat crushed glass, which we all will have to do. Two years from now, we've got vehicles, 16 months from now any physicians in the office who are going to see Medicare cut their reimbursement 20-percent - been hearing it since 2002 but never happened but it's still, even flat reimbursement over a period of five years is a huge cut for physicians.

So that's a vehicle that's coming through, riding through the system no matter, everybody here's saying oh we're not going to see much reform, a little bit more optimism here but that's a vehicle and depending on the reaction to the economic straits that we're in, people may jump on board and it may get comprehensive, but it's a vehicle coming through whether we like it or not. I like it because a 20-percent cut is crazy.

What do you see happening in the next two years, the next four years, and then a comment on anything about gridlock, which obviously locks things down? Gridlock's not all bad if we do have a Democratic President, Senate, and House, it won't be as much gridlock for better or for worse but give me a two-year thing, I'm [inaudible] four years, and then a comment on gridlock. Is there anything practically leading to [inaudible].

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**DICK MORRIS:** Maybe I could just set a political scene for it because and then others can talk about the medical implications. Obama's probably going to win. He'll take with him a humongous Democratic majority both as he won't be-

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** How many seats in the House?

**DICK MORRIS:** About 30 extra seats in the House and about [laughter] seven, ten extra seats in the Senate, maybe as many as 13 in the Senate but I think 57 something like that.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Alright.

**CHIP KAHN:** You just solved the gridlock problem [laughter].

**DICK MORRIS:** That's right. Frictionless system coming through. [Interposing] Yes but it's going to be the gridlock of the grave. There won't be the gridlock over what do we do. The gridlock will be that we can't do anything and it'll be a gridlock not against the opposite party but against reality.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Explain that just so people understand.

**DICK MORRIS:** Well you're going to have so many demands on the federal treasury and such a limited ability to run a deficit because of the underlying crisis of confidence in the economy and in our currency that the political establishment is going to be rendered essentially helpless in dealing with it.

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So there won't be the opposite party to deal with. That'll be the happy days. This will be dire necessity to deal with. They're going to be essentially powerless and what's going to happen is things are going to get worst and worst. Obama's going to be hated in the United States. His ratings will go, as Elton John once said, to low for zero.

People will look back to the halcyon days when we had Bush as President [laughter], a really popular President. Obama will get away for the first six or eight months on blaming Bush but then that will wear increasingly thin.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Now, Congress is already down to 15-percent favorability. You can't go any lower than that.

**DICK MORRIS:** And there'll be a humongous Republican tide in 2010, which will now restore partisan gridlock. So I think that you have two years of a— two unique years just like '64, '65, 1913 and 1914, '35. '36, and '81, '82. Those were the four periods where probably 70-percent of the important legislation passed under Wilson, Roosevelt, Reagan, and Johnson.

You'll have another period like this under Obama but he won't be able to use it and it'll be gone after two years because there'll be a massive revolt against the terrible economy, against an inability to deliver on any of the campaign promises and all of that. Then you'll have a Republican

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Congress sending lame duck Democrat President and this is where I came in [laughter].

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Alright.

Alright, two years Chris is sitting there all the time looking at legislation there. So now we've got this big picture. Now you've got 10 things to say in response to that.

**CHRIS JENNINGS:** No, no, no, no, no. Give it to John first.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Alright [laughter]. John. Everybody came here to take away something to talk about.

**JOHN PODESTA:** If Dick's prescription was applied against history then Hoover would be a great icon in American politics and Roosevelt would have failed. I think—

**DICK MORRIS:** Yes but Hoover had three years.

**JOHN PODESTA:** I think that you talk about the mid-60s and after President Kennedy was killed, that's of course when Medicare and Medicaid were passed, but I think in the next couple of years, the President has to focus on getting the economy moving, getting wages growing again, which I think has been particularly a problem over the last eight years, not just over the last year. We've now had 750,000 people lost their job this year but wages haven't grown for average wage earners through the course of the Bush presidency.

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Now that's what he's got to focus on. I see health care as a part of that and I think that if Obama is elected, he will make health care a front and center issue. You appropriately put it, Senator, in a two-year, four-year timeframe. My guess is that what he will want to do is to try to get a major reform going, the kinds of ideas he's talked about in one byte and do it early and try to get it done in 2009.

I think there's an alternative strategy, which is to put those building blocks in place, either a health bed or a cost effectiveness public/private partnership to try to get the cost going down, to try to do an SCHIP expansion. The states are going to need help on Medicaid and to try to set the stage for trying to do a more major expansion of reform after a successful midterm election by historical standards—

**DICK MORRIS:** I said it'd be successful [laughter].

**JOHN PODESTA:** —In 2010. I think that while I'm sure what his fairly certain what his preference will be, I'm not certain what the landscape will be. It will depend, to some extent, on what the Congressional numbers look like, the other, we also have to deal with some other big concerns not just the financial crisis but the energy crisis dealing with transforming and investing in new businesses and new technology but I see health care as a place where if you apply the right principles, you can actually get a boost in the economy. I think that's what this front and center concern's going to be.

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**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Chris, we'll see biogenerics and mental health parity and some SCHIP expansion. In the next two years, will we see anything else, think of the Congressional standpoint now and sort of past discussions.

**CHRIS JENNINGS:** Right. Well I think those are two and Dick was talking about a lot of it in generic access issues and it will be an interest in doing that, an interestingly in both McCain and Senator Obama are big, big advocates of going in that direction.

I think you mentioned also the physician payment issue, which is a train that will be coming out there no matter what. In a way, the physicians, you can't even deal with, the cut this year is so big that you cannot do it without, I would suggest probably some baseline issue changes but in particularly some reform issue about how health care is delivered and with a bigger focus on primary care. I think we would be silly not to move in that direction. I see that happening.

I actually think that we will have a debate regardless on health care and the question is whether it will be focused on a more traditional budget cut world or whether it will be delivery reform world and setting up the predicate for a much more efficient system.

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I think I'm optimistic that we will have a delivery reform world. I think there will be a lot of people, a lot of stakeholders at the table who want to play and once the President, and I think it will be President Obama comes in, if he signals that that is a priority, there will be lots of people wanting to play.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Chip, go on.

**CHIP KAHN:** I think early on, this like family leave that child health will be, family leave was visited immediately in '93. I think child health will be visited and there'll be a big bill like the House passed that maybe includes a lot of Medicare things as well as quality things, everything that's sort of sitting around other than child health that doesn't cost extra money unless they can put the docs in there with some kind of one-two that makes it not cost anything, which is possible, I think, if Congress just decided to look the other way.

I think beyond that, I'm jus totally, my crystal ball is totally cloudy because I never would have predicted 9/11. I never would have predicted what happened a few weeks ago to the economy. I just think that, I never would have predicted that Obama would be running against McCain. I mean we had the federation meeting last October, Larry Sabado [misspelled?] when he said, the one thing you can be sure about in this

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campaign season is that John McCain is finished and he got the darn nomination.

So boy I can't see, I can't see the future as clearly as Dick [laughter]-

**DICK MORRIS:** It's alright, I said that Hillary was going to win.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** I was going to say that but then [laughter].

**CHRIS KAHN:** But I can tell you I think whether it's in March, April, or May there's going to be a big health bill and it's going to include a lot of stuff and it's not going to be a big reform bill but it's going to answer a lot of questions for people in this room I think in terms of specific issues they've been worried about.

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Tom Cigarran says run it like heart surgery, start on time and finish on time [laughter].

**DICK MORRIS:** When you became majority leader, I said the only thing being majority leader and heart surgery have in common is you have to break a lot of ribs [laughter].

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** No you go in and you cut out parts and you put new one in. You know, it is fascinating listening and I can't help, I've really just sort of come back home over the last year but when you think about

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what everybody just heard here is a huge opportunity.

Everything is value.

The macro constraints out there mean that whether it's behavioral health or a psychiatric or mental health across or acute, it really is to people in this room and having been in Washington, I recognize how important it is for everybody in here to be thinking where you are on this ethical spectrum.

Pick one of the candidates but the big thing is to work with whoever is in there addressing these issues that tie into education, to the outcome in terms of our economy long-term to our global competitiveness and we're in a unique position.

I think, and even a lot of people realize how unique this room is. This group does, and I talked it about it earlier this morning, I want to thank John, Chris, Chip, and Dick for joining us today coming from Washington, D.C. it's been a fascinating conversation and I know our audience members are truly grateful for your time. Join me and we have some final remarks from Caroline but joining me in thanking this panel [applause].

**CAROLINE YOUNG:** Thank you Senator Frist and thank you to the esteemed panel. We appreciate you being with us at such a very busy time. I would like to, once again, recognize our sponsor. They are AON, Boulton, Cummings, Connors, and Berry, the Federation of American Hospitals, and IMS. I'd also like to say a word of thanks to Gretchen Smith and partners for their help

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in staging this event today and lastly, thanks to all of you.  
We hope you have a wonderful morning and stay tuned tonight  
[applause].

**FORMER SEN. BILL FRIST, M.D. (R-TENN.):** Thank you all  
[applause].

[END RECORDING]